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SUBJECT: AMBASSADOR'S VISIT TO ARAGATSOTN MARZ ASSESSES
USG-SPONSORED ASSISTANCE PROJECTS

SUMMARY

1. (SBU) NOT FOR DISTRIBUTION ON THE INTERNET. HANDLE ACCORDINGLY.

2. (SBU) Ambassador Yovanovitch's September 15 trip to Aragatsotn Marz, one of the nation's poorer regions, included visits to USG assistance project sites as well as meetings with Governor Sargis Sahakian, Ashtarak Mayor Gagik Tamazian, and representatives of the Yezidi minority (septel). The Ambassador also toured a winery in Oshakan village which has received USG business support assistance, met with computer class students in an Ashtarak school that benefitted from an Internet connectivity program, and visited a USAID-funded youth club in Aparan. END SUMMARY

Voskevaz Winery

3. (SBU) The trip began with a tour of the Voskevaz winery led by Executive Director Garush Samvelian. In 2007, USAID signed a \$1.64 million agreement with the European Bank for Reconstruction and Development (EBRD) in support of a three-year Business Advisory Services (BAS) Program to increase the number of small and medium enterprises in Armenia's rural and poor areas, and improving business productivity and profitability. Mr. Samvelian told the Ambassador that the BAS program significantly improved the winery's operational effectiveness and efficiency, and enabled it to meet international standards to obtain Food Safety Management System certification, improving its competitive position.

4. (SBU) The owner of the winery, Davit Hovhannisian, told the Ambassador of plans to redesign the small plant, which employs 10 people, and of negotiations with a Russian company to install a fully automated production line to increase capacity from the current 120,000 bottles to 300,000 by 2010.

Ashtarak School No. 1

5. (SBU) At Ashtarak School No. 1, a spacious, modern facility renovated with the help of Armenian-American businessman Kirk Kirkorian, School Director Susanna Barseghian escorted the Ambassador to a computer class and an English-language class. The school was among the first participants in a five-year, \$12-million-dollar Armenia School Connectivity Program (ASCP) funded by DOS and implemented by Project Harmony from 2000 to 2007. The program ultimately created a network of 330 secondary schools across Armenia, setting up an Internet Computer Center in each of the beneficiary schools. The program was transferred in 2007 to the National Center for Education Technologies (NCET), a branch of the Ministry of Education responsible for maintaining and monitoring the ICT equipment in the schools.

6. (SBU) During the Ambassador's meeting with the 30 students in the computer class, which had 10 computers, one young boy said a great

advantage of internet connectivity was that he could speak with his parents working abroad over a VOIP at the school or at one of the two Internet Cafes in the city. But a show of hands verified that few students had computers or internet at home, and Director Barseghian added that the Internet was often very slow. Interestingly, students get only one hour of computer lessons a week because, according to the Director, longer exposure to the radiation from computer screens could pose a health hazard.

¶7. (SBU) The Director also noted that the computers originally donated to the school through Project Harmony in 2000-2001 were no longer operational. Since the ASCP project was turned over to the Ministry of Education in 2007, monitoring apparently has been sporadic, and it is possible that equipment is not being maintained. Even though the USG is no longer responsible for the project, the NCET has received Democracy Commission grants through the Public Affairs Section to do periodic checking; as of this writing PAS is checking to see when the last required maintenance was to be done.

¶8. (SBU) In her remarks to the students, the Ambassador stressed the importance of computer literacy and noted that Armenia's economic future would depend significantly on IT and engineering. Because Armenia can be competitive in IT, she urged students to study technology in addition to their other courses.

¶9. (SBU) The students in the English class offered well-rehearsed English-language presentations, though some seemed unable to answer simple spontaneous questions, suggesting that memorization and rote learning, a legacy of the Soviet era, may yet persist in even the most modern model schools. But it was encouraging to hear that while civics classes (originally introduced to Armenia through Junior Achievement, a USA grantee) now fall under a broader political science curriculum with more emphasis on history, students still get

a basic grounding in human rights and civic responsibility.

Youth Action Committee in Aparan

¶10. (SBU) The Ambassador also visited a Youth Action Center (YAC) in Aparan funded through USAID's Youth and Community Action Program (YCAP), an inexpensive, cost-effective program that mobilizes youth at the grass-roots level to address key issues and problems in their communities. The 20 young activists of high school and university age delineated an impressive list of actions by the club, including environmental clean-ups, organizing computer classes, preparing a volunteer data base, and helping the elderly. YCAP was inspired to provide information about assistance available to fight corruption after meeting with the local Advocacy and Assistance Center (AAC) run by USAID's Mobilizing Action Against Corruption program (MAAC), which provides legal assistance and refers cases to proper channels, a clear example of the synergies between USAID assistance programs.

¶11. (SBU) The Ambassador was most impressed by the fact that community activists attending universities in Yerevan were using their training to organize an informal network to confront corruption at the university, challenging professors who take bribes for passing grades. In some cases professors would appoint a student to collect money from the others. One student said he refused to pay a bribe, but wasn't penalized by the professor because he was a top student. He noted that weaker students and parents routinely pay bribes to assure graduation, and that the aim of the informal anti-corruption network was to educate parents and shame professors, as well to gain fair and equitable wages for professors to discourage the need for bribery.

Meeting with Governor and Ashtarak Mayor

¶12. (SBU) Governor Sargis Sahakian, who is the appointed regional head (by the central government), told the Ambassador that the intercommunity roads are in poor shape, partly because of the suspension of the MCC road project. (NOTE: The project was suspended after a government crackdown following the March 2008 presidential elections, and because of Armenia's failure to meet other governance targets.) The Ambassador noted that other infrastructure projects

benefitting from MCC financing continued, such as the refurbishment of water infrastructure projects and farmer training.

¶13. (SBU) The Ambassador also asked what impact a possible opening of the border with Turkey would have on the region. Mr. Sahakian affirmed that it would generally be a positive development that would encourage commerce and that the Marz is working on a four-year social and economic development plan that will factor in the possible opening of the border. He did add that some residents and officials worry about the flood of Turkish goods undermining Armenian products, to which the Ambassador countered that the same worries exist on the Turkish side. Mr. Sahakian said that the Marz needs to attract small companies to process wool and leather goods, that sheep-breeding was decreasing, at the Marz was looking at the potential for expanding tourism.

¶14. (SBU) During a courtesy call on Ashtarak Mayor Gagik Tamazian, the Ambassador was informed that official unemployment in the region is 28 percent and that some 10,000 residents are living abroad, leaving the population of Ashtarak at about 24,000. He noted that 50 percent of households rely on remittances from relatives abroad. Tamazian took the opportunity to praise USAID's Local Government Program III for providing a sanitation truck and waste disposal training which made the city much cleaner and earned positive feedback from citizens willing to pay a little more for effective service. The mayor also said that he and most residents in the city see the opening of the border as inevitable and support the development.

Comment

¶15. (SBU) The Ambassador's trip highlighted the variety and benefits of USG-supported assistance programs. It also accentuated that much needs to be done in terms of business development, infrastructure rehabilitation, broader internet connectivity, and job creation in Armenia's third-poorest Marz. Moreover, the persistent problems of gasification, the dearth of drinking water and irrigation, and the outmigration of young and educated people pose profound challenges to attracting private investment and business to the region. End
Comment.

YOVANOVITCH